

Appendix E

Donor Funds

This appendix provides an update on international financial support pledged to Iraq. The funds described in this section include:

- donor funds
- humanitarian aid
- bilateral aid
- International Reconstruction Fund Facility for Iraq (IRFFI)
- World Bank, International Monetary Fund, and Loan Programs
- Iraqi debt relief

Donor Funds

In response to the relief and reconstruction requirements in Iraq, many countries and several international organizations have donated aid. At the Madrid Donor Conference in October 2003, non-U.S. donor nations and international organizations pledged \$13.5 billion for the medium-term reconstruction of Iraq (2004-2007). Since then, periodic donor meetings have been held to coordinate international activities and implementation of the Madrid pledges. Donors have met in Abu Dhabi, Doha, Tokyo, and, most recently, in Jordan (July 18-19, 2005). For a comprehensive list of the Madrid pledges, see Table E-1. Individual donor nations pledged approximately \$8 billion for reconstruction aid, supplementing their previous humanitarian aid. The World Bank and International Monetary Fund (IMF) pledged another \$5.5 billion in aid through loans.

At the most recent donor conference in Jordan, donors reiterated their support for the reconstruction program and welcomed the introduction of an Iraqi-led donor coordination mechanism.

Pledges of Reconstruction Aid to Iraq by Country, as of September 30, 2005	
Donor	Updated Pledges
Australia	\$45,590,000
Austria	5,480,000
Belgium	5,890,000
Bulgaria	640,000
Canada	187,470,000
China	25,000,000
Cyprus	120,000
Czech Republic	14,660,000
Denmark	26,950,000
Estonia	80,000
Finland	5,890,000
Greece	3,530,000
Hungary	1,240,000
Iceland	2,500,000
India	10,000,000
Iran	10,000,000
Ireland	3,530,000
Italy	235,620,000
Japan	4,914,000,000
Korea	200,000,000
Kuwait	500,000,000
Lithuania	30,000
Luxembourg	2,360,000

Pledges of Reconstruction Aid to Iraq by Country, as of September 30, 2005	
Donor	Updated Pledges
Malta	27,000
Netherlands	9,420,000
New Zealand	3,350,000
Norway	12,870,000
Oman	3,000,000
Pakistan	2,500,000
Qatar	100,000,000
Saudi Arabia	500,000,000
Slovenia	420,000
Spain	220,000,000
Sri Lanka	75,500
Sweden	33,000,000
Turkey	50,000,000
United Arab Emirates	215,000,000
United Kingdom	452,330,000
Vietnam	700,000
International Organizations	
European Commission ^a	518,119,988
IMF (low range)	2,550,000,000
World Bank (low range)	3,000,000,000
Total (without the United States)	\$13,871,392,488
^a Includes additional January 2005 pledge of 200 million euros (approximately \$260 million), not yet formally committed to UNDG or World Bank Iraq Trust Fund. Note: Data not formally reviewed, audited, or verified.	

Table E-1

Humanitarian Aid

In the immediate aftermath of Operation Iraqi Freedom, various countries and United Nations (UN) organizations provided \$849 million in humanitarian aid through December 2003 (excluding U.S. and Oil-for-Food assistance). This aid was not counted as part of the Madrid Donor Conference reconstruction pledge amounts.

Bilateral Aid

Bilateral project aid is provided directly from a donor country to Iraq. As of September 30, 2005, the Department of State (DoS) estimates that approximately \$1.53 billion in bilateral project assistance has been donated to Iraq. This does not include about \$1.19 billion in contributions by these donors to the multilateral trust fund for Iraq. Much of the bilateral aid has been

donated by Japan, the largest non-U.S. donor country. Highlights of individual donor country activities are included in the DoS *Section 2207 Report* of July 5, 2005.

The time period applicable for Madrid Donor Conference pledges is 2004-2007. The change of Iraqi governance authority on June 28, 2004, led several Persian Gulf nations to initiate discussions with Iraqi authorities about fulfilling their Madrid pledges. Furthermore, the recent election of the current Iraqi government provides an opportunity for the Gulf States to develop the personal relationships that may encourage action.

International Reconstruction Fund Facility for Iraq

In addition to the direct bilateral aid, much of the assistance pledged by individual nation states is being channeled through international organizations. The Madrid conference established IRFFI to give donor countries a multilateral channel for their assistance to Iraq.

IRFFI has two trust funds, one administered by the World Bank and the other by the United Nations Development Group (UNDG). These two trust funds are the primary delivery mechanisms for aid to Iraq. A Facility Coordination Committee coordinates the two trust funds. The committee, which meets monthly, includes members of the World Bank and UNDG. A member of the International Monetary Fund (IMF) participates as an observer.

As of August 31, 2005, these are the current commitments to the two trust funds:

- \$406.2 million committed to the World Bank trust fund
- \$843.3 million committed to the UNDG trust fund

These are the deposits to the funds:

- \$402.8 million deposited with the World Bank
- \$786.1 million deposited with the UNDG

A Donor Committee, with representatives from each government that has contributed at least \$10 million to IRFFI, meets semiannually to provide oversight and approve programs and priorities. The committee also has up to two members—chosen by consensus from among donor nations—whose contributions are less than \$10 million.

The IRFFI UNDG trust fund has developed a strategic planning framework, organized along seven functional area “clusters,” in which various UN specialized agencies work together under a cluster lead agency. The current seven clusters reflect a streamlining of the UN’s original eleven clusters. Table E-2 shows the funding amount by cluster.

UN Cluster Iraq Reconstruction by Project Totals, as of September 30, 2005	
UN Cluster	Funded Amount
Infrastructure Rehabilitation	\$221,020,908
Support to Electoral Process	155,996,367
Education and Culture	116,763,153
Agriculture, Food Security, Environment, and Natural Resource Management	86,406,525
Health and Nutrition	85,996,174
Governance and Human Development	38,840,269
Refugees, IDPs, and Durable Solutions	17,857,515
Emergency Response Project	300,000
Total Approved Funding	\$723,180,911
Note: Data not formally reviewed, audited, or verified.	

Table E-2

Detailed project and program descriptions for the World Bank Iraq Trust Fund (WBTF) and UNDG can be found at the IRFFI website: <http://www.irffi.org>. The site also has detailed donor conference information.

Although current commitments to the IRFFI total about \$1.25 billion, donor nations pledged more than \$8 billion at the Madrid Donor Conference. Another approximately \$1.53 billion is the bilateral aid already disbursed by countries such as Japan, the United Kingdom, Spain, and Canada. Of the undisbursed amount, about half represents the pledge by the government of Japan to extend \$3.5 billion in concessionary loans for Iraq reconstruction. The remaining \$1.7 billion, to be disbursed by 2007, comes mainly from eight of the top ten pledged countries (excluding Japan and the United Kingdom).

As of August 31, 2005, about \$1.19 billion had been deposited into the IRFFI. Table E-3 summarizes international trust fund commitments and deposits by country.

Total IRFFI Donor Contributions and World Bank Iraq Trust Fund Allocations, as of August 31, 2005				
Donor	Commitments		Deposits	
	World Bank	United Nations	World Bank	United Nations
Australia	\$16,400,000	\$13,396,800	\$16,100,000	\$4,396,800
Australia (Dept. of Immigration)	N/A	3,292,462	N/A	3,292,462
Belgium	N/A	1,320,995	N/A	1,320,995
Canada	22,260,000	37,767,199	22,260,000	37,767,199
Denmark	N/A	10,000,000	N/A	4,525,870
European Commission	102,500,000	231,900,269	102,500,000	219,819,618
European Commission (Human Rights) ¹	N/A	7,307,190	N/A	1,301,661
European Commission (RRM) ¹	N/A	25,141,605	N/A	23,572,978
Finland	2,580,000	3,885,600	2,580,000	3,885,600
Greece ¹	N/A	3,901,235	N/A	763,980
Iceland	1,000,000	500,000	1,000,000	500,000
India	5,000,000	5,000,000	5,000,000	5,000,000
Ireland	N/A	1,226,400	N/A	1,226,400
Italy	N/A	15,876,981	N/A	15,876,981
Japan	130,000,000	360,950,528	130,000,000	360,950,528
Luxembourg	N/A	200,000	N/A	200,000
Luxembourg	N/A	1,037,200	N/A	1,037,200
Korea	3,000,000	7,000,000	3,000,000	7,000,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
Netherlands	6,200,000	6,697,000	6,200,000	6,697,000
New Zealand	N/A	2,361,200	N/A	2,361,200
Norway	4,500,000	7,009,288	4,500,000	7,009,288
Qatar	5,000,000	5,000,000	2,500,000	5,000,000
Spain	20,000,000	20,000,000	20,000,000	0
Sweden	5,400,000	6,824,493	5,810,000	6,824,493
Turkey	1,000,000	200,000	0	200,000
United Kingdom	71,400,000	55,542,000	71,400,000	55,542,000
United States	5,000,000	5,000,000	5,000,000	5,000,000
Total²	\$406,240,000	\$843,338,445	\$402,850,000	\$786,072,253
¹ U.S. dollar equivalent of commitments not yet deposited are estimates based on UN Operational Exchange rates.				
² Figures deposited may vary from figures initially pledged due to fluctuation of the exchange rate between the dollar and the currency in which the pledge was made, and from the time at which the pledge was made until the date of deposit.				

Table E-3

IRFFI project oversight remains outside the Project and Contracting Office (PCO) program, but efforts between PCO and IRFFI must be coordinated on all levels. The Iraq Strategic Review Board (ISRB) and the Iraqi government serve as central points of coordination to encourage direct communication between the organizations.

World Bank, International Monetary Fund, and Donor Loan Programs

In Madrid, the World Bank and IMF pledged potential assistance packages to Iraq worth between \$5.5 billion and \$9.25 billion. Aid to Iraq from Japan, the largest non-U.S. benefactor, is primarily in the form of a concessional loan (\$3.5 billion). The World Bank currently envisions an initial lending envelope of \$500 million from the International Development Association (IDA) and \$500 million from the International Bank for Reconstruction and Development (IBRD) during FY 2004 and FY 2005. During the second week of December 2004, the World Bank country director for Iraq received a written request for IDA funding. On December 16, 2004, Iraq cleared its arrears to the World Bank. As of September 2005, the World Bank and Iraq agreed in principle on the projects that would comprise the \$500 million IDA loan package.

The IMF has pledged assistance to Iraq with an initial \$850 million in emergency post-conflict assistance and follow-up assistance loans of \$850–1,700 million. On September 29, 2004, the executive board of the IMF approved a disbursement of approximately \$436.3 million, denominated in special drawing rights (SDR). This initial grant of emergency post-conflict assistance occurred after Iraq settled its arrears to the fund of SDR 55.3 million (approximately \$81 million U.S.) on September 22, 2004. In addition to settling its IMF arrears, Iraq has paid for an increase in its quota under the IMF's Eleventh General Review of Quotas. Iraq's quota has increased from SDR 504 million (\$740.1 million U.S.) to SDR 1.19 billion (\$1.75 billion U.S.). This quota increase was a combination of a payment of \$251 million in cash and a non-interest bearing promissory note for the balance (total payment of \$1.08 billion U.S.). Iraq can draw on its quota with the concurrence of IMF leadership. The World Bank has provided valuable analytical and administrative support for the reconstruction of Iraq, including participation in the joint needs assessment with the UN in October 2003 and administration of WBITF. The World Bank uses WBITF resources to finance projects and internally budgeted resources for economic and sector work, as well as policy advice. The bulk of the initial round of World Bank projects has focused on emergency needs, primarily in water supply and sanitation, health care, and education.

By 2009, the World Bank expects to lend an additional \$2-4 billion beyond its initial set of loans, but subsequent lending is "predicated on an optimistic scenario of improvements in political stability and security, rapid economic recovery (including the oil sector), and generous debt relief," according to the

Interim Strategy Note of the World Bank Group for Iraq, January 14, 2004. This document outlined three objectives for the interim period (the first six to nine months of 2004):

- Prepare and implement emergency operations to address urgent needs.
- Build Iraqi institutional capacity.
- Lay the groundwork for Iraq's medium-term program (2005-2007).

IMF shares the same concerns and may not provide the full amount pledged in Madrid without a sound macroeconomic framework and government commitment to key structural reforms in place.

Another objective of the WBITF is to build Iraqi institutional capacity. The first project (\$3.6 million), completed in August 2004, trained 581 Iraqi civil servants from 19 ministries to define and prioritize international programs of support. The project focused on:

- managing the project cycle
- sector-specific training for Iraqi ministries
- private sector capacity enhancement

The second Iraqi institutional capacity building project, funded at \$7 million, trains senior Iraqi policy-makers and technical specialists. The objective is to train Iraqis in economic reform and transition, public sector management, and management of the project cycle. The first private sector development project (\$55 million) is scheduled to begin soon. This project finances part of the Iraqi telecommunications infrastructure and an electronic payment system to promote direct investment and trade with Iraq, as well as to support private-sector opportunities.

The third objective, laying the groundwork for Iraq's medium-term program (2005-2007), is addressed by internal World Bank resources. The economic and sector work program is grouped in three clusters:

- economic reform and transition
- poverty alleviation, safety nets, and social development
- public sector management

The World Bank, in collaboration with counterpart Iraqi ministries, is finalizing policy notes on key issues, which include reforms to investment climate, state-owned enterprises, trade, telecommunication sector, financial sector, the oil and gas sector, as well as social protection and social safety net issues. Working versions of these policy notes are currently available: Investment Climate, Reform of State-Owned Enterprises, Food Grain Market Reform, and World Trade Organization Accession.

Iraqi Debt Relief

External debt relief is vital to Iraq's reconstruction and long-term economic health. The November 21, 2004 agreement between Iraq and the members of the Paris Club to reduce Iraq's \$38.9 billion Paris Club debt by 80% was a crucial first step. More specific terms of the agreement were outlined in the SIGIR January 2005 Report. Iraq has committed to seek comparable treatment from its other external creditors. The vast majority of those other creditors are official bilateral creditors (primarily Gulf States) estimated by the IMF to hold \$67.4 billion in debt. In addition to official bilateral debt, Iraq owes approximately \$15-20 billion to commercial creditors. The Iraqi Transitional Government (ITG) is implementing the initial phase of its commercial debt restructuring. The ITG continues efforts at reaching bilateral agreements. As of October 6, 2005, agreements have been signed with the United States, Canada, Romania, Malta, and Italy. The United States and Malta canceled 100% of their claims, while the others canceled 80% (standard Paris Club terms under the November 2004 agreement).

Further details on Iraqi debt relief are available at:
<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>
<http://www.iraqieconomy.org/home/macro/debt/>